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SUBJECT: NICARAGUA: TRANSPORTATION WORKERS STRIKE

Classified By: Ambassador Paul A. Trivelli for reasons 1.4 (b,d)

11. (C) Summary: The Association of National Transport Coordinators went on strike on May 5 seeking relief from skyrocketing gasoline and diesel prices. While day one was not well organized, on days two and three, more taxi, intercity bus, and truck drivers heeded the call, and sporadic violence has broken out in cities around the country. The political affiliations of the transport unions are mixed, with sector coverage spreading as economic interests and union solidarity take hold. In the meantime, the trigger for the strike has shifted from high prices per se to whether the government, specifically President Ortega, will talk to the strikers about lowering prices through subsidies and/or removing fuel taxes at the pump. Different union party representatives hold differing opinions on the strike's staying power, with Sandinista representatives merely expressing "solidarity" with the unions in the near term, and Liberal-affiliated sector representatives saying they will strike for as long as it takes to win relief. End Summary.

Prices Rise Dramatically at the Pump

12. (U) Since the beginning of the year, retail fuel prices in Nicaragua have risen more than 25%. The first week of May, the price at the pump for regular gasoline topped \$4.70 per gallon, with premium gasoline costing about 9 cents more and diesel 11 cents less. The high cost of fuel cuts deep into the margins of those who earn their living on the road. The Nicaraguan Federation of Taxi Cooperatives, the Nicaraguan Transport Workers Association, the Nicaraguan Federation of Transport Collectives, and allied transport cooperatives from the northern and southern regions called on the government to provide far reaching subsidies, but the government has refused to talk.

Strike

13. (U) Transportation union leaders first wanted to call a strike at the end of April, followed by a show of force during May Day celebrations in Managua. Indeed, Ortega moved his May Day event to the evening of April 30 to avoid confrontation with transportation workers on May 1. The Association of National Transport Coordinators then backed away from a possible confrontation with Ortega supporters on May 1, choosing instead to start the strike on May 5. While day one activities appeared to lack strong broad-based coordination, long lines of trucks parked along the shoulder of the Pan American highway made their point. The evening news ran clips of roving taxi drivers ripping off the roof signs of still operating taxis. On days two and three, more

taxi, inter- and intra-city buses, and truck drivers heeded the call, and sporadic violence broke out in cities around the country. The Nicaraguan Transportation Chamber claims at least 25,000 taxis, 15,000 buses, and 5,000 truck drivers are willing participants; nevertheless, a number of taxis and trucks have been operating.

¶4. (U) In the meantime, the trigger for the strike has shifted from high fuel prices per se to whether the government will talk to the strikers about lowering prices through subsidies and/or removing taxes at the pump. Transportation Minister Pablo Fernando Martinez and Finance Minister Alberto Guevara have flatly rejected these proposals as "impossible." However, Martinez has suggested that the government would allow drivers to save 6 cents on the gallon by using a "self-service" option at gasoline stations around the country.

¶5. (C) Four days into the strike, worker solidarity) not political affiliation) appears to be the driving force behind the strike's spread. According to Liberal labor leaders, their transportation affiliates began the strike, seeking a reduction in gas prices. Miguel Ruiz, director of the Sandinistas' largest labor confederation, confirmed that the Sandinistas are not behind the strike and that he is actively seeking a resolution given the action's negative impact on the rest of the confederation's membership. As further evidence of the bi-partisan nature of the stoppage, on May 8, day four of the strike, Managua's largest bus cooperative)- a Sandinista organization -) joined in, stopping half its bus fleet. Asked directly about his motivations, Rafael Quinto, the cooperative's president, matter-of-factly told us that his decision "has nothing to do with politics. We are showing solidarity with our transportation colleagues." Quinto also insisted that, if the strike is not resolved by Monday, he would order 100 percent of the cooperative's Managua buses to strike, a move that will bring mass transit in Managua to a grinding halt.

COMMENT: This lack of FSLN sponsorship) but apparent solidarity -- is interesting, given President Ortega's ability to use the bus transportation cooperatives to bus in supporters for political rallies, most recently on May 6. FSLN-controlled media is exploiting the situation to score anti-U.S. "imperialist" points, claiming that the strike is somehow U.S.-backed. So, while Liberal and opposition-dominated unions started the strike by their year-long agitation for relief, what seems to be the tipping point drawing in the FSLN unions to this increasingly disciplined strike is not GON orders, but fuel prices crossing an economically unsustainable operating line and demonstrations of solidarity. END COMMENT.

Where's Hugo When You Need Him?

¶6. (U) A number of economists point out that Nicaragua has the highest priced gasoline in Central America, 25% higher than neighboring Honduras, which participates in a Chavez scheme that is theoretically a cut below the one struck with Nicaragua. Opposition politicians are beginning to exploit the fact that Nicaraguans do not see the value of Ortega's fraternal relationship with Chavez if the benefits are not flowing directly into their gas tanks. Pleading the flu and a hoarse voice, Chavez bowed out of the Central American Food Crisis Summit in Managua on May 7.

Existing Subsidies Public Transportation

¶7. (SBU) The national government already subsidizes the Managua intra-city public transportation bus system. In 2007, this subsidy amounted to \$5,783,386, equivalent to \$0.12 per passenger/day. In 2008, the National Assembly approved just \$4,206,099, but reportedly the government has failed to disburse the first quarter's allocation of \$1,577,287.

18. (U) In addition, for the past five years, the City of Managua has administered an operating subsidy for fuel and expenses to city bus cooperatives. The system constitutes 855 buses organized into 27 cooperatives that serve 727,000 people daily, or 58% of the urban population. Almost 90% of the buses are more than 15-years old. With the fuel subsidy, cooperatives can buy diesel at a fixed price of \$2.13 per gallon. The Managua Municipal Transport Regulatory Institute (INTRAMMA) estimates that this translates to a savings of five cents per passenger/day. The national government and city subsidies combine to allow Managua to fix the city bus fare at 2.50 cordobas (13 cents).

Comment

19. (C) If the strike continues to expand and holds through the weekend without resolution, Ortega will have a serious problem on his hands. We believe he may face the decision either to break the strike or negotiate. Breaking the strike) which has now taken on a national dimension) would prove difficult. First, Ortega lacks an effective mechanism to do so. Police have shown some affinity with the strikers' cause and transportation workers have demonstrated strong bi-partisan solidarity. Breaking the strike would also place Ortega in the unenviable position of taking draconian measures against a group)- Managua bus cooperatives -- long considered an important base.

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